

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 OPIC-06 EB-07 L-03 COME-00 CIAE-00

INR-07 NSAE-00 /034 W

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R 041900Z SEP 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 6673

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

UNCLAS LIMA 7288

DEPARTMENT PASS TO OPIC

E.O. 11652: N/A

TAGS: ECIN, EINV

SUBJECT: ANDEAN PACT: TREATMENT OF FOREIGN CAPITAL

1. THE CONSULTATIVE COMMITTEE, ESTABLISHED UNDER DECISION 19 OF THE COMMISSION AND MADE UP OF GOVERNMENT REPRESENTATIVES FROM THE SIX COUNTRIES, WILL MEET OCTOBER 1-3 TO EXAMINE THE APPLICATION OF DECISION 24 AND TO DRAFT UNIFORM REGULATIONS. THE PRINCIPAL ORDER OF BUSINESS WILL BE CHILE'S PLAN TO SELL ABOUT 75 FIRMS CURRENTLY UNDER CONTROL OF CORFO. IN LINE WITH ARTICLE 3 OF DECISION 24, CHILE HAS TO OFFER THESE FIRMS TO SUBREGIONAL INVESTORS BEFORE INVITING INVESTMENT CAPITAL FROM NON-ANDEAN SOURCES.

2. OTHER ISSUES, INCLUDING THE 14 PERCENT PROFIT REMITTANCE LIMITATION, MAY ALSO BE DISCUSSED. THE AGENDA WILL DEPEND ON THE INITIATIVES OF THE MEMBER COUNTRIES.

3. DECISION 24 IS NOT ON THE PROVISIONAL AGENDA FOR THE OCTOBER 7 COMMISSION MEETING. THE REASON, ACCORDING TO A JUNTA LAWYER, IS THAT THE JUNTA WOULD HAVE INSUFFI-
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CIENT TIME TO EVALUATE THE CONSULTATIVE COMMITTEE FIND-

INGS AND TO PREPARE A PROPOSAL.

4. PERU'S FAILURE TO RATIFY DECISION 46 (ANDEAN MULTI-NATIONAL ENTERPRISES) WAS AGAIN DISCUSSED AT THE LAST COMMISSION MEETING. PERU REAFFIRMED ITS INTENTION TO PUT THIS DECISION INTO EFFECT. THE PROBLEM IS THAT PERUVIAN FIRMS WITH "INDUSTRIAL COMMUNITIES" WOULD BE DIFFICULT TO INTEGRATE INTO MULTINATIONAL ENTERPRISES. THERE ALSO IS THE FEAR OF CAPITAL FLIGHT. HOWEVER, PRESSURE IS MOUNTING ON PERU TO FIND A SOLUTION. SOME ANDEAN MULTINATIONAL FIRMS HAVE ALREADY BEEN INCORPORATED IN PANAMA, OUTSIDE ANDEAN JURISDICTION.

5. FOR VARYING REASONS, ALL COUNTRIES EXCEPT PERU SEEM TO ATTACH GREAT IMPORTANCE TO DECISION 46. IT WOULD FACILITATE MUCH NEEDED CAPITAL FLOW AMONG ANDEAN COUNTRIES AND WOULD ALSO PERMIT GREATER FLEXIBILITY FOR FOREIGN (NON-ANDEAN) FIRMS TO PARTICIPATE IN SUBREGIONAL JOINT VENTURES.

6. FOR OPIC: EMBASSY OFFICER WAS INFORMED BY JUNTA LAWYER THAT ARTICLE 51 IS NOT ON THE AGENDA FOR THE MEETING ON DECISION 24. THE INITIATIVE WOULD HAVE TO COME FROM ONE OF THE MEMBER COUNTRIES. INFORMANT ADDED THAT A MODIFICATION OF ARTICLE 51 WOULD ENCOUNTER VERY STRONG OPPOSITION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN POLICY POSITION, FOREIGN INVESTMENTS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA07288
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750306-0813
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750985/aaaacwty.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAR 2003 by maustmc>; APPROVED <14 JAN 2004 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANDEAN PACT: TREATMENT OF FOREIGN CAPITAL
TAGS: ECIN, EINV, PE, ANDEAN PACT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006